

MINUTES OF ADJOURNED REGULAR MEETINGS OF THE CITY COUNCIL  
AND THE REDEVELOPMENT AGENCY AND A SPECIAL MEETING OF THE  
HOUSING AUTHORITY OF THE CITY OF CHULA VISTA

July 8, 2003

6:00 p.m.

Adjourned Regular Meetings of the City Council and the Redevelopment Agency, and a Special Meeting of the Housing Authority of the City of Chula Vista, were called to order at 7:43 p.m. in the Council Chambers, located in the Public Services Building, 276 Fourth Avenue, Chula Vista, California.

ROLL CALL:

PRESENT: Agency/Authority/Councilmembers: Davis, McCann, Rindone, Salas, and Chair/Mayor Padilla

ABSENT: Agency/Authority/Councilmembers: None

ALSO PRESENT: Executive Director/City Manager Rowlands, Agency/City Attorney Moore, and City Clerk Bigelow

CONSENT CALENDAR

1. APPROVAL OF MINUTES: June 10, 2003; June 17, 2003

Staff recommendation: Agency/Council approve the minutes.

ACTION: Chair/Mayor Padilla moved to approve staff's recommendation and offered the Consent Calendar, heading read, text waived. Agency/Authority/Councilmember Rindone seconded the motion, and it carried 5-0.

ORAL COMMUNICATIONS

There were none.

PUBLIC HEARINGS

2. PUBLIC HEARING TO ACKNOWLEDGE RECEIPT OF TWO DEVELOPMENT PROPOSALS FOR PROPERTY LOCATED AT THE SOUTHEAST CORNER OF THIRD AVENUE AND NAPLES STREET AND DIRECTING STAFF TO FURTHER EXPLORE THE PROPOSAL SUBMITTED BY 3rd AND NAPLES, LLC FOR THE DEVELOPMENT OF A WALGREENS STORE WITHIN THE SOUTHWEST REDEVELOPMENT AREA

The Agency received an unsolicited proposal from 3<sup>rd</sup> and Naples, LLC (developer) proposing to acquire and develop seven parcels located at the southeast corner of Third Avenue and Naples Street within a 14,000 square-foot commercial building to be occupied by a Walgreens store. The developer currently has contracts to purchase four of the seven parcels and has made efforts to negotiate with two owners of the remaining three parcels but has not been able to come to terms. Owner participation rights were extended to the owners of the three remaining properties. The purpose of this action is to acknowledge the proposals and direct staff to work with one or more of the applicants. (Community Development Director)

## PUBLIC HEARINGS (Continued)

ACTION: It was the consensus of the Council to remove this item from the agenda at the request of staff.

3. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA (1) ACCEPTING A REPORT OF AN ALTERNATIVE TO MEET THE EASTLAKE COMPANY'S AFFORDABLE HOUSING OBLIGATION FOR EASTLAKE II/III; (2) APPROVING DEVELOPER REQUEST TO WITHDRAW AN APPLICATION FOR MULTIFAMILY REVENUE BONDS FROM THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE; PRIOR TO JULY 8, 2003; (3) DIRECTING STAFF TO WORK WITH DEVELOPER AND THE EASTLAKE COMMUNITY, AND RETURN TO COUNCIL NO LATER THAN DECEMBER 31, 2003 WITH A FINAL RECOMMENDATION; AND (4) DIRECTING CITY ATTORNEY TO RETURN TO COUNCIL ON JULY 15 WITH AN AGREEMENT TO ADDRESS EASTLAKE'S AFFORDABLE HOUSING OBLIGATION WITH RESPECT TO THIS ALTERNATIVE

On April 8, 2003, the City Council, Redevelopment Agency, and Housing Authority approved financing for a 150-unit, affordable, rental-housing complex known as "Rancho Vista Apartments at EastLake" (project) in satisfaction of the EastLake Company's obligation to provide affordable housing for the EastLake II/III master planned community. The development is located on a vacant 8.25-acre site located on the east side of future EastLake Parkway, approximately 3,000 feet south of Clubhouse Drive. Subsequent to receiving the project approvals, and in response to community concerns, the developer has proposed an alternative project approach: the development of a first-time buyer (for-sale) affordable housing program on the same site. At the direction of the Council, various meetings with the EastLake community were held to provide information regarding affordable housing, EastLake's options for providing such housing within the community, and the issues and impacts related to affordable rental and for-sale developments. Staff's report included a report of EastLake's affordable housing options and the community's comments on these options. (Community Development Director)

Chair/Mayor Padilla opened the public hearing, noting that written communications received included a letter from San Diego Advocates for Social Justice; a one-page document from a member of the public listing the benefits of affordable rental housing; and signature pages from residents in favor of either condominiums or apartment development on the proposed site.

Chair/Mayor Padilla asked about policy specifications regarding low and moderate-income housing. Senior Community Development Specialist Hines responded that the policy does not differentiate between the types of housing; it merely states that five percent should be reserved as affordable to low-income and moderate-income, regardless of whether the property is for sale or for rent. Chair/Mayor Padilla stated that since 1999, the City has had five low and moderate income housing projects, and only one was a for-sale project. He asked how staff arrived at the conclusion that the balance is distorted, with a need for additional for-rent versus for-sale housing. Senior Community Development Specialist Hines replied that in terms of balance, staff views rental housing as a whole in comparison to the area that surrounds it. The eastern territories clearly have a significant number of for-sale housing opportunities, whether affordable or at market rate. In terms of affordable products proposed over the past four years, there is clearly an increase in rental units versus for-sale. Chair/Mayor Padilla expressed concern that the options for for-sale or for-rent were not brought before the Agency/Council/Housing Authority the first time, and that it was the developer's original desire to build a for-sale project.

## PUBLIC HEARINGS (Continued)

Bill Ostrem, representing the Eastlake Company, stated that Chelsea is uncomfortable withdrawing the CDLAC application.

Chair/Mayor Padilla stated that the resolutions enacted include the City's intent to issue bonds, however, the City is under no obligation to do so. City Attorney Moore clarified that the Council did enact a resolution stating its intention to issue tax-exempt obligation bonds, however, the resolution specifically states that *"nothing herein obligates the issuer to issue the obligations or provides the applicant with any legal right to compel the issuance of the obligations which decision remains in the final discretion of the issuer."* She explained that there is no commitment on the part of the City to issue any bonds to the developer for this project at this time, and that there are a number of steps that have to be completed prior to any final decision by the Council.

Charity Donnelly, a resident of the Antigua development, stated that she recognizes the need for affordable housing but believed there is a stronger need for for-sale than for-rent housing. She commented that renting is a short-term housing solution, whereas owning a home provides a stronger sense of community for the residents.

Peter Watry urged the Council to approve the Rancho Vista apartments as originally planned, stating that people should have the opportunity to rent, and there are few rentals that exist in eastern Chula Vista.

James Schmid, President of Chelsea Investments, stated that the proposed project was designed to meet the needs of the community. It would comprise a self-contained community that will have less of an impact on traffic and over-crowding than a for-sale project because of the on-site amenities that will be provided to the tenants. He stated that Chelsea is ready to move forward with the project, and a delay until next year would have a significant financial impact on the developer because of the implementation of prevailing wage provisions for all rental projects, which will add \$1,000,000 to the cost of the project with no benefit to the quality of the project or its affordability. He urged the Council to move forward with the proposed for-rent project.

Agency/Authority/Councilmember Salas expressed concern that if the City does not fully support the proposed project at this time, it may lose credibility and hamper future efforts to obtain CDLAC funding for the community.

Agency/Authority/Councilmember Rindone asked Mr. Schmid to explain why traffic would be improved with a for-rent versus a for-sale project. Mr. Schmid responded that a rental project would generate fewer vehicles per household and also accommodate the large local employment base.

Chair/Mayor Padilla stated that the process for the proposed project has not been a clear one, and, upon review of the staff report and verbatim minutes of the Council meeting of April 8, 2003, it was revealed that the Council was clearly anticipating the exploration of alternative options. He stated that at the April 8<sup>th</sup> meeting, he had asked staff whether the adoption of the resolutions at that time would preclude the Council in any way from considering its full range of options, and the response from staff was that the Council would not be closing the door on other options. Chelsea Investments and Eastlake Company made the commitment to explore other options, and he asked what had changed since that time. Mr. Schmid responded that when Chelsea received notification early in June that there would be a developer-sponsored movement to consider a for-sale option, Chelsea immediately notified the Eastlake Company and City staff in writing that they were not in support of a for-sale project. He further stated that Chelsea Investments never said that they were willing to forego the rental project in favor of other options, which was confirmed in writing on two occasions to City staff and the Eastlake Company.

## PUBLIC HEARINGS (Continued)

Agency/Authority/Councilmember McCann thanked Mr. Schmid and Mr. Ostrum for participating in the public outreach process and bus tour.

Bill Hedenkamp, architect for the Rancho Vista project, stated that he took the proposed development through the design review process and paid approximately \$30,000 in design review processing fees. He spoke in support of the for-rent project, which he believed would provide more open space, more amenities, after-school facilities and professional on-site management by Chelsea that a for-sale project would not include. He stated that the idea of balanced communities has to do with balance in terms of access to housing in a particular community. The difference between a for-rent and for-sale project would have a minimal impact on the community, and he asked the Council to consider supporting the rental project.

Agency/Authority/Councilmember Salas commented that, in addition to the local workforce, military families are also in dire need of affordable housing in the community.

Agency/Authority/Councilmember Rindone asked the projected build-out capacity in Eastlake. Principal Planner Hernandez responded that there will be about 7,000 to 7,5000 units.

Evan Becker, representing Red Capital Group, stated that the group has made over \$20,000,000 in financial commitments to the proposed rental project to produce a high-quality product. Red Capital is proud of its projects with Chelsea, and he urged the Council to support the proposed project.

Catherine Rodman, representing San Diego Advocates for Social Justice, reported that she had submitted a letter to the Council earlier in the day, and she spoke in support of Alternative No. 1. She also suggested that, in the future, the Council engage the entire community regarding housing options and support projects that incorporate rental along with homeownership on appropriate sites. She asked the Council to move forward with the project.

Mark Donnelly, a homeowner in the Antigua development, stated that as a homeowner, he has had the opportunity to make home improvements, thus increasing the value of his home. Homeownership allows the community to be managed by the residents, who decide what is best for their community, while no one benefits from rentals. He suggested that Chelsea utilize special low-leverage financing to assist families in becoming new homeowners rather than tenants.

Marlinda Foster spoke in support of affordable rental housing. She stated that she currently lives in an apartment complex that was taken over by Chelsea, and, as a result of proactive management, the crime rate and incidents of excessive noise and drug trafficking have been greatly reduced. Ms. Foster stated that the tenants work together as a community, and she believed that low income did not equal low class. She asked the Council to support for-rent housing.

Dr. R.C. Williams Sr. spoke in support of low-income rental projects for seniors.

## PUBLIC HEARINGS (Continued)

Cathlyn Coons spoke in support of for-sale housing, stating that homeownership has afforded her the opportunity to gain equity for the future, and she believed that owning homes builds strong families and communities.

Judd Wheeler stated that he had previously asked for information on the City's definition of affordable housing and also for numbers and the amount of subsidy that has been provided by the government. Mr. Wheeler suggested that future noticing be more widespread to include all communities that may potentially be affected. He also urged the Council to adopt the compromise to allow Chelsea to continue the process.

Debra Wheeler expressed concern regarding a lack of adequate notification, stating that the community needs to be advised in advance regarding future projects. She also conveyed her preference for senior housing developments in the area, rather than for-rent or for-sale projects, since she believed that seniors were being forced out of Eastlake and that their quality of life has been diminished.

Bryan Felber stated that senior housing options should be provided in the eastern territories to provide more balanced communities, and he believed that there was a stronger need for for-sale rather than for-rent housing.

With no further members of the public wishing to speak, Chair/Mayor Padilla closed the public hearing.

Agency/Authority/Councilmember McCann stated the need for a clearer policy regarding affordable housing and believed that the proposed project would benefit the City's working class, regardless of whether the development is for-sale or for-rent. He expressed his preference for a first-time homebuyers program, stating that the current low interest rates benefit homeownership and the ability of owners to gain equity and a stake in the community.

Agency/Authority/Councilmember Rindone expressed the need for both for-rent and for-sale affordable housing and conveyed the need to develop the City's policies and procedures in this regard. He also pointed out that the for-rent project is ready to proceed at this time, and the amenities offered with this for-rent project are very positive.

Agency/Authority/Councilmember Salas believed that the best way to build wealth is through homeownership. She also expressed the need for rental housing in the City and mentioned that the City is leveraging a significant amount of funding for the proposed project to ensure its high quality.

Agency/Authority/Councilmember Davis spoke in support of a for-rent project and commented that the City must examine the process for future affordable projects in the community. She believed that delaying the proposed project and losing SIDLAC funding would be irresponsible.

Chair/Mayor Padilla spoke in support of the proposed project and also regarding the need to review policies. He pointed out that the same practice could not be applied to every project and expressed the need for consistency, rationale, and reasoning throughout the process.

## PUBLIC HEARINGS (Continued)

ACTION: Agency/Authority/Councilmember Rindone moved to continue to support the Rancho Vista project (Option No. 1) and offered the following resolution, heading read, text waived:

RESOLUTION NO. 2003-294, RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA REAFFIRMING ITS APPROVAL OF THE RANCHO VISTAS APARTMENT PROJECT

Agency/Authority/Councilmember Salas seconded the motion, and it carried 4-1, with Agency/Authority/Councilmember McCann opposing.

## OTHER BUSINESS

### 4. DIRECTOR'S REPORTS

There were none.

### 5. CHAIR/MAYOR REPORTS

There were none.

### 6. AGENCY/AUTHORITY/COUNCIL COMMENTS

There were none.

## CLOSED SESSION

Closed Session was cancelled, and the following item was not discussed:

### 7. CONFERENCE WITH REAL PROPERTY NEGOTIATOR – Pursuant to Government Code Section 54956.8

- a. Property: Assessor Parcel Nos. 619-121-01, 02, 29 (approximately 0.29 acres) located at Third and Naples.  
Negotiating Parties: Laurie Madigan, Lyle Haynes, Elizabeth Wagner Hull, Linda Bartz, (Agency/City) and Mr. Amin Kakayi, Mrs. Elisa Flores, and Mrs. Raquel Ruelas
- b. Property: Under Negotiations: Instructions to negotiators  
Assessor Parcel Nos. 563-350-13-00; 56-131-01-11 (Agency/City) and Assessor Parcel Nos. 563-350-12-00; 566-132-55-00 (George A. Mross and Mayfair Living Trust)

## ADJOURNMENT

At 11:03 p.m., Chair/Mayor Padilla adjourned the meeting to the Regular Meeting of the Redevelopment Agency on July 15, 2003, at 6:00 p.m., immediately following the City Council Meeting in the Council Chambers.

Susan Bigelow, CMC, City Clerk